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# China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETINS

No 15, 20 JUNE; No 16, 30 JUNE 1986

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CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETINS

No 15, 20 June; No 16, 30 June 1986

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese 20 Jun, 30 Jun 86

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## RULES ON SINO-FOREIGN COOPERATIVE ENGINEERING DESIGN PROJECTS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jun 86 pp 484-486

[ "Provisional Regulations on Sino-Foreign Cooperation in the Designing of Engineering Projects" (Approved by the State Council on 27 March 1986 and promulgated by the State Planning Commission and Ministry of Foreign Economic Relations and Trade on 5 June 1986) ]

[Text] Article 1. These regulations have been especially formulated in order to strengthen the management of engineering project design carried out through cooperation between China's design organizations and foreign design organizations (hereinafter referred to as cooperative design) and to promote the development of cooperative design activities.

Article 2. When the design of Chinese-funded projects, Sino-foreign joint venture projects or foreign-funded engineering projects must be commissioned from a foreign design organization, Chinese design organizations should participate in this and the designing should be carried out in a cooperative way.

It is not permitted to commission designs from foreign design organizations for Chinese-funded engineering projects which can be designed by Chinese design organizations. However, it is possible to import some design technology relevant to the engineering project or consult foreign planning organizations on technological or economic aspects.

The designing of projects funded with foreign investment within China's borders should, in principle, be taken on by Chinese design organizations. If the investors require foreign design organizations to undertake the designing of a project, there should be participation from Chinese design organizations and the project designed in a cooperative way.

Article 3. As far as engineering projects where it is necessary to carry out cooperative planning (including the foreign exchange needed for cooperative design) are concerned, in accordance with the project management jurisdiction, the responsible department or construction unit shall, at the same time as reporting the project proposal or submitting the design tasks report to the higher levels, request approval for this. Only after it has been approved will it be allowable to carry out work with foreign parties. Smaller projects can, in accordance with jurisdiction relationships, be approved by responsible departments or by provincial, autonomous region, or directly administered municipality planning committees. For medium-size and large

projects, the responsible department or the province, autonomous region, or directly administered municipality shall, in accordance with jurisdiction relationships, put forward suggestions after investigation and then submit the project to the State Planning Commission for approval. For particularly large projects, the State Planning Commission will organize a preliminary investigation, put forward suggestions based on the investigation, and submit the project to the State Council for approval.

At the same time as selectively determining the foreign design organization, the responsible department or construction unit of the project should select and decide upon the Chinese design organization which is to participate in the cooperation.

Article 4. Foreign design organizations will only be permitted to take on the designing of Chinese engineering projects if an investigation shows that their design qualifications are up to standard. Investigation as to whether the qualifications of foreign design organizations are up to standard will be conducted by the department responsible for the project.

The major components in investigating whether design qualifications are up to standard are:

1. whether the foreign design organization has design qualification registration credentials in the country or region in which it is situated;
2. its situation in terms of technological level, technological strengths, and technological equipment;
3. its service record in terms of project designs undertaken and its operations management;
4. its reputation in society.

Article 5. The two parties involved in cooperative design must sign a cooperative design contract setting down the powers and obligations of the two sides.

The cooperative design contract should include the following:

1. the name, nationality and major place of business of each of the two parties involved in the cooperative design, as well as the name, post, nationality and domicile of each legal representative;
2. the aim, scope, and time limits of the cooperation;
3. the type of cooperation and requirements in terms of the contents, depth, and quality of the design and the work schedule;
4. the currency makeup, methods of allocation, and allocation ratios of the design fees to be received by the two parties involved in the cooperative design;

5. the methods by which the work relationships between the two sides in cooperative design are to be arranged;
6. responsibilities if the contracts are violated;
7. the methods by which disagreements about the contract will be resolved;
8. conditions for the contract to be effective;
9. the date on which and place at which the contract is signed.

Article 6. At the same time as signing the cooperative design contract, the major design party which has been selected to engage in the cooperative designing should sign a design contract with the party commissioned with the engineering project.

Article 7. Cooperative design can include the whole process from the initial investigation of an engineering project to the designing of the project, or can just involve cooperation in a single stage.

Article 8. Decisions on the selection of types of equipment and materials for use in cooperative design projects shall be proposed by the major design party after discussion between the two sides involved in the cooperative design. Under the conditions of guaranteeing requirements in terms of production technology and its application, Chinese equipment and materials should be given preference.

Article 9. In cooperative design, suitable, advanced standards and criteria should be adopted, and the two sides involved in the cooperative design should supply each other with the models they intend to adopt.

Article 10. The two sides involved in cooperative design must carry out a joint checkup of the design conditions and take responsibility for the quality of the design. After the two sides involved in the cooperative design have completed the designing in accordance with the contract, it should be sent to the party entrusted with the engineering project for examination and approval.

Article 11. During the cooperative designing, the basic topographical, geological, hydrological, meteorological and environmental inspection materials needed by the foreign planning organization will be supplied for a fee upon application to the various relevant departments by the party entrusted with the engineering project and following the completion of examination and approval procedures. The user of the materials is not permitted to transfer the materials to third parties.

Article 12. In the process of cooperative design, the two parties involved in the cooperative design should firmly carry out their own obligations as required by the contract and, if they do not meet the requirements of the contract, they should be subject to the responsibilities set down within the contract.

Article 13. The income derived from the cooperative designing by the two sides involved shall be taxed in accordance with the relevant Chinese taxation regulations.

Article 14. When Hong Kong or Macao design organizations engage in cooperative design with mainland design organizations, the cooperation will be carried out in accordance with these regulations.

Article 15. The responsibility for interpreting these regulations rests with the State Planning Commission.

Article 16. These regulations will come into effect on 1 July 1986.

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CSO: 4005/336

CABLE TO SURINAME ON 10TH ANNIVERSARY OF ESTABLISHING TIES

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jun 86 p 490

[ "President Li Xiannian's Congratulatory Cable to Acting President Ramdat-Misier of the Republic of Suriname To Mark the 10th Anniversary of the Establishment of Diplomatic Relations Between the PRC and the Republic of Suriname" (28 May 1982) ]

[Text] His Excellency  
Acting President Ramdat-Misier of the Republic of Suriname  
Paramaribo

On the occasion of the 10th anniversary of the establishment of diplomatic relations between the PRC and the Republic of Suriname, I would like to sincerely express warm congratulations on behalf of the Chinese Government and people, and in a personal capacity, to yourself and through you to the government and people of the Republic of Suriname.

Although China and Suriname are separated by a great distance, the friendship between the people of the two countries is longstanding and well-established. After our two countries established diplomatic relations in 1976, our traditional friendship entered a new stage of development. Over the last 10 years, contacts between our countries have increased, mutual understanding has been continually deepened, and we have engaged in beneficial cooperation in many respects. Both China and Suriname are developing countries and both belong to the Third World. Thus, in the struggle to safeguard national sovereignty and independence and develop the national economy, we sympathize with and support each other. The consolidation and development of the relationship of friendly cooperation between China and Suriname is in complete accord with the basic interests of the two countries and is the common wish of the peoples of the two countries. I believe that with our common efforts, the coming 10 years will indeed see greater development of the friendly relations between China and Suriname.

May the relationship of friendly cooperation between China and Suriname and the friendship between the peoples of the two countries see further development!

Wishing your country prosperity and your people happiness!

President of the PRC Li Xiannian

Beijing, 28 May 1986

CIRCULAR PROMOTING ENTERPRISE-SCIENCE INSTITUTE COOPERATION

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jun 86 pp 493-494

[ "Circular of the State Economic Commission, the State Education Commission, and the Chinese Academy of Sciences on Promoting Cooperation Among Large and Medium-Size Enterprises, the Chinese Academy of Sciences and Institutes of Higher Learning" (31 May 1986) ]

(Jingke [4842 4430] (1986) No 315)

[Text] In accordance with the spirit of central decisions on the structural reform of the economy, science and technology, and education and the "State Council Regulations on Several Questions in Further Promoting Lateral Economic Associations" (published in the 1986, issue No 8 of this Bulletin), and in order to fully bring into play the S&T superiorities of the Chinese Academy of Sciences and institutions of higher learning and promote the cooperation between scientific research units and large and medium-size industrial enterprises, the following is hereby advised:

1. In accordance with the strategic policy whereby economic construction must depend on science and technology and S&T work must be geared toward economic construction, the economic committees (planning and economic committees) of all regions and all branches of the Chinese Academy of Sciences should place on the agenda the promotion of lateral associations between large and medium-size enterprises and the various research institutes under the Chinese Academy of Sciences and institutes of higher learning. First it is necessary to get a clear idea of the current situation, formulate concrete measures, and assist and guide the large and medium-size enterprises to further rely on science and technology, and urge the S&T contingents outside the industrial departments to take more opportunities to slant their work toward economic construction.

2. In developing cooperation between large and medium-size enterprises, the various research institutes under the Chinese Academy of Sciences and institutes of higher learning, it is necessary to abide by the principles of voluntary participation and mutual interests, developing strong points and avoiding weak points, adopting diverse forms and realizing common development. It is necessary to focus on the development of new products, the improvement of product quality, the reduction of consumption, the improvement of economic results, and the improvement of the capacity to earn foreign exchange through

exports, as well as carrying out multilevel and multiform cooperation in terms of the digestion and absorption of imported technology, technological development, technological transformation, training of personnel, the modernization of enterprise management, and so on. It is necessary to pay particular attention to developing new technologies and realize new results in the effective use of resources and raw and semifinished materials so as to achieve practical results.

3. Through consultation between the State Economic Commission, the State Education Commission, and the Chinese Academy of Sciences, it has been planned that in 1986 cooperation would be promoted between 100 large and medium-size enterprises and scientific research academies and institutes, and 100 cooperative plans for major technological development have been worked out. The projects included in the plans will be given support in accordance with the regulations of relevant policies. Thus, it is requested that the economic committees (planning and economic committees) of various areas, the various ministries, bureaus, and corporations under the State Council, the various branches of the Chinese Academy of Sciences and the institutes of higher learning in various places report on the current situation (including the project names, aims, tasks, fund sources, participating units, and work progress of cooperative projects already arranged or planned), and problems and measures planned in their system's cooperative situation. These reports should be made prior to 25 June and, in accordance with the system's jurisdiction relationships, submitted to either the Science and Technology Bureau of the State Economic Commission, the Science and Technology Office of the State Education Commission or the Planning Bureau of the Chinese Academy of Sciences, and at the same time, a copy report shall be sent to the "Office of the Coordination Group for Economic, Scientific, and Technological Cooperation."

4. It is requested that the economic committees (planning and economic committees) of Beijing, Shanghai, Tianjin, Shenyang, Harbin, Xian, Wuhan, Chengdu, Lanzhou, and Guangzhou take the initiative to develop relationships with branches of the Chinese Academy of Sciences and local institutes of higher learning and arrange mutual visits and dialogue. The various ministries, bureaus, and corporations under the State Council, at the same time as positively promoting cooperation between industrial systems units and large and medium-size enterprises, should, in accordance with the concrete situation of the system, organize mutual visits and dialogue activities, which include the Academy of Sciences and research units of institutes of higher learning, for an industry or a special task. The various branches of the Chinese Academy of Sciences and the various institutes of higher learning should actively visit local economic committees and the various industrial departments of the State Council to convey their intentions in terms of mutual visits and dialogue. It is requested that the economic committees (planning and economic committees) of the various regions and the various departments of the State Council advise the "Office of the Coordination Group for Economic, Scientific, and Technological Cooperation" of the arrangements made and methods used in the above-mentioned mutual visits and dialogue activities.

5. The work of promoting cooperation between large and medium-size industrial enterprises, the various research institutes under the Chinese Academy of Sciences and institutes of higher learning should be led and coordinated by the departments responsible for the various industries. In order to strengthen mutual coordination and to strengthen guidance of this work on the macro-level, the State Economic Commission, the State Education Commission and the Chinese Academy of Science have agreed to establish a "Coordination Group for Economic, Scientific, and Technological Cooperation" with its staff comprising bureau-level leaders from the Science and Technology Bureau and Technical Transformation Bureau of the State Economic Commission, the Planning Bureau and Department of Technical Sciences under the Chinese Academy of Sciences, and the Science and Technology Office of the State Education Commission. The office established by the "Coordination Group" and its place of work shall temporarily be within the Science and Technology Bureau of the State Economic Commission and external dealings will be temporarily carried out under the seal of the Science and Technology Bureau of the State Economic Commission.

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PROVISIONAL RULES ON FINANCIAL, INVESTMENT ORGANIZATIONS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jun 86 pp 504-508

["Provisional Regulations on the Management of Financial Trust and Investment Organizations"--Promulgated by the People's Bank of China on 26 April 1986]

(Yinfazi [6892 4099 1316] (1986) No 97)

[Text] Chapter I. General Provisions

Article 1. These regulations are formulated in accordance with the stipulations of the "Provisional Regulations of the PRC on the Management of Banks" in order to strengthen the management of financial trust and investment organizations and to guarantee the healthy development of trust business.

Article 2. All financial organizations engaged in trust and investment business shall comply with these regulations.

Article 3. In these regulations, the term trust and investment business refers to financial business in which a consignee, in accordance with a consignor's clearly stipulated aims or requirements, accepts, manages, or utilizes trust funds or trust property.

Article 4. The establishment or dissolution of a trust and investment organization requires the submission of an application in accordance with stipulated procedures. Without obtaining approval, no department or unit is permitted to engage in trust and investment business.

It is prohibited for individuals to engage in trust and investment business.

Article 5. Financial trust and investment organizations should seriously implement the state's financial principles and policies, and their business activities must have the development of the economy, the stability of the currency, and the improvement of socioeconomic benefits as their aims.

Article 6. In the areas of fund management, work coordination, and the supply of information, the People's Bank of China should provide service to the financial trust and investment organizations and support them in developing regular business activities.

## Chapter II. Management of the Organizations

Article 7. A financial trust and investment organization shall only be established in a large or medium-size city and should be equipped with the following conditions:

1. there must be firm economic development need for it;
2. it must have qualified financial work management personnel;
3. it must accord with economic accounting principles;
4. it must have organizational rules;
5. it must have the legally stipulated minimum paidup capital.

Counties or administrative regions below county level are not permitted to establish financial trust and investment organizations.

Article 8. Financial trust and investment organizations must have a minimum paidup money-capital.

1. For the establishment of national financial trust and investment organizations, the minimum amount of paidup RMB nonmonopoly capital shall be 50 million yuan.
2. For the establishment of financial trust and investment organizations in provinces, autonomous regions, cities directly administered by the central authorities, cities with province-level decisionmaking authority, or special economic zones, the minimum amount of paidup RMB nonmonopoly capital shall be 10 million yuan.
3. For the establishment of financial trust and investment organizations in prefectures or cities directly administered by the province, the minimum amount of paidup RMB nonmonopoly capital shall be 5 million yuan.
4. Those financial trust and investment organizations which engage in foreign exchange business and which are established in the areas noted above shall also possess, respectively, minimum amounts of foreign exchange nonmonopoly capital of \$5 million, \$2 million and \$1 million in U.S. funds as spot exchange.

The intactness of the nonmonopoly capital of financial trust and investment organizations must be guaranteed and the capital shall not be subject to transfer by any department.

Article 9. The registered capital of a financial trust and investment organization shall not exceed a figure three times the paidup money capital.

Article 10. When an application is made to establish a financial trust and investment organization, the following materials should be handed over to the local branch of the People's Bank of China:

1. the application report on the establishment of a financial trust and investment organization;
2. the responsible department's examination and appraisal suggestions;
3. organizational rules, which will include the name of the organization, the legal address, the nature of the enterprise, the operational goals, the amount of registered capital, the scale and types of business, the organizational form, operations management, and such matters;
4. a qualification assessment certificate issued by an authorized department;
5. a name list and resumes of the leaders of the organization.

Article 11. Requests to establish financial trust and investment organizations (including branch organizations) must be submitted for appraisal in accordance with the following regulations:

1. for national organizations, the application, after examination and verification by the head office of the People's Bank of China will be submitted to the State Council for approval;
2. for the establishment of organizations at the provincial level (including cities with provincial-level decisionmaking authority and special economic zones) the application, after examination and verification by the provincial level branch of the People's Bank of China will be submitted to the head office of the People's Bank of China for approval;
3. for the establishment of organizations at the prefectural level or in cities directly administered by the province, the application after examination and verification by the prefectural or city-level branch of the People's Bank of China, will be submitted to the provincial-level branch of the People's Bank of China for approval, and will also be reported to the head office of the People's Bank of China for the record;
4. all trust and investment organizations engaged in foreign exchange business will be subject to approval by the head office of the People's Bank of China and shall also supply to the State Administration of Exchange Central for permission to engage in foreign exchange business.

Article 12. Those financial trust and investment organizations which have been approved will be issued with a "Financial Business Operation License" by the People's Bank of China. Those organizations engaged in foreign exchange business shall, after being approved, be issued with a "Foreign Exchange Business Operation License" by the State Administration of Exchange Control.

Financial trust and investment organizations shall, with the above-mentioned licenses, apply to the industrial and commercial administration management departments for registration.

Article 13. When a financial trust and investment organization engages in a merger, it should again complete the application procedures in accordance with these regulations and, after approval, exchange its "Financial Business Operation License" and its "Foreign Exchange Business Operation License."

Article 14. An application to dissolve a financial trust and investment organization must be made 60 days prior to the organization ceasing activities, and a written report shall be submitted to the local branch of the People's Bank of China. After approval is obtained, under the supervision of the People's Bank of China and relevant departments, claim settling, payment of taxes, repayment of debts and the cancellation of the "Financial Business Operation License" and the "Foreign Exchange Business Operation License" will be carried out. Also, together with a notification from the People's Bank of China, an application will be made to the industrial and commercial administration management department to cancel the "Business License."

### Chapter III. Scope of Operations

Article 15. Financial trust and investment organizations can accept trust deposits as follows for periods upwards of a year (including a period of 1 year):

1. trust funds which financial departments have entrusted for investment or to be provided as credit;
2. trust funds which enterprises' responsible departments have entrusted for investment or to be provided as credit;
3. labor insurance funds from labor insurance organizations;
4. scientific research funds from scientific research units;
5. the funds of various societies and foundations.

Article 16. Those trust and investment organizations engaged in RMB business can apply to engage in the following business:

1. trust investment and trust credit business as clearly directed by the consignor (abbreviated to Type A trust and investment business);
2. trust investment and trust credit business in accordance with general requirements set down by the consignor (abbreviated to Type B trust and investment business);
3. financial leasing business;
4. business involving the storage and handling of funds on behalf of others, the receipt and expenditure of funds on behalf of others, and the issue of securities on behalf of others;
5. business involving RMB debt underwriting and witnessing. The underwriting limits shall be in accordance with stipulations by the People's Bank of China;

6. economic consultancy business;
7. business involving the issue of securities, as approved by the People's Bank of China;
8. other business approved by the People's Bank of China.

Article 17. The proportion of the Type B trust deposits drawn in by trust and investment organizations engaged in RMB business to be used in investment in fixed assets, credit, and leasing business shall be in accordance with the ratios set down by the People's Bank of China.

Article 18. The provision of working fund credit by trust and investment organizations engaged in RMB business is restricted to investing enterprises. Other enterprises can be provided with temporary circulating credit, with a maximum credit period not exceeding 3 months.

Article 19. Trust and investment organizations engaged in foreign exchange business can apply to engage in the following business:

1. the receipt of foreign currency trust deposits both domestically and abroad;
2. the issuing of foreign currency loans abroad;
3. the issue, or issue as an agent, of foreign currency negotiable securities abroad;
4. foreign exchange trust and investment business;
5. the issue of foreign currency loans to its investing enterprises;
6. international financial leasing business;
7. business involving the underwriting and witnessing of loans, contracts, tenders, and the honoring of agreements abroad. The underwriting limits shall be in accordance with stipulations by the People's Bank of China;
8. business involving investigation and consultancy for the raising of credit to promote foreign economic trade relations;
9. other business as approved by the State Administration of Exchange Control.

Article 20. The necessary auxiliary RMB funds required by a trust and investment organization engaged in foreign exchange business can, apart from being raised within the scope stipulated in Article 15, also be raised, with the permission of the People's Bank of China, through the issue of RMB bonds.

Article 21. Those trust and investment organizations engaged in foreign exchange business cannot, without the permission of the People's Bank of China, engage in credit, leasing, or investment business involving RMB funds, except in the case of obtaining auxiliary RMB funds.

Article 22. Except as approved by the State Council or the People's Bank of China, financial trust and investment organizations may not, in any form, directly operate industrial or commercial enterprises or engage in any business outside the scope of these "Regulations."

#### Chapter IV. Business Management

Article 23. Financial trust and investment organizations must separate administrative and enterprise functions, implement independent accounting, be solely responsible for their own profits and losses and become enterprise legal persons. In their business, they shall be subject to the leadership, management, coordination, supervision, and examination of the People's Bank of China.

Article 24. The source and plans for using RMB funds of financial trust and investment organizations should, in accordance with the stipulations, be reported to the People's Bank of China for approval. The foreign exchange funds receipt and expenditure plans of those enterprises which engage in foreign exchange business should be reported to the State Administration of Exchange Control for approval.

Article 25. When financial trust and investment organizations engage in credit, investment, and leasing business involving fixed assets, this should fall within the scope of fixed-asset plans officially approved by the state.

Article 26. All financial trust and investment organizations shall open RMB accounts in the local branch of the People's Bank of China. Of the Type A trust deposits they attract, the stipulated proportion shall be paid into the account as reserve funds. Those organizations which engage in foreign exchange business shall, at the same time, open a foreign exchange account in the local branch of the Bank of China, and shall, in accordance with stipulations, provide the local exchange control bureau with a foreign exchange deposit as reserve funds.

Article 27. Financial trust and investment organizations shall, in accordance with stipulations, retain a certain proportion of funds as a reserve fund for bad debts.

Article 28. The RMB deposit and credit interest rates in financial credit and investment organizations shall be set in accordance with stipulations by the People's Bank of China.

Article 29. Financial trust and investment organizations shall, in accordance with stipulations, provide to the People's Bank of China the following materials: annual work plans and summaries, quarterly and monthly fund source and utilization plan implementation report forms, accounting report forms and financial report forms, annual final accounts report forms, final accounts explanations and profit-and-loss report forms. Also they should report in a timely way on major business activities. Those organizations which engage in foreign exchange business should provide the above-mentioned materials to the State Administration of Exchange Control.

Article 30. The trust and investment companies established by specialized banks in large and medium-size cities shall all conform to these regulations, implement independent accounting, and become legal persons. Their subordinate relationship with the specialized bank must not change. All specialized banks should strengthen their leadership over and management of their subordinate trust and investment companies.

Those specialized banks which have not established independent trust and investment companies but which are engaged in trust business must carry out their business activities in accordance with the scope of division of work in specialized banks' business. The source and utilization of funds for trust business must be included in the credit plans of the specialized bank. The granting of credit and leasing involving fixed assets must be done within the total amount of credit which the specialized bank has been approved to issue for fixed assets. The income from trust business must be accounted for in a unified way. Except where especially approved by the People's Bank of China, these specialized banks are not permitted to handle investment business. They cannot advertise abroad nor independently open bank accounts.

Article 31. If financial trust and investment organizations violate these regulations, the People's Bank of China has the right to instruct the organizations to correct their activities within a certain period or, depending on the seriousness of the violation, to issue warnings, circulate a notice, order the organization to stop operating for reorganization, cancel the "Financial Business Operation License" and the "Foreign Exchange Business Operation License" and such punishments.

#### Chapter V. Supplementary Provisions

Article 32. These regulations are formulated by and are to be revised, annulled, and interpreted by the head office of the People's Bank of China.

Article 33. These regulations shall come into effect on the day of their promulgation.

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CIRCULAR ON CIRCULATION OF COMMODITY PRICE REPORT

Beijing STATE COUNCIL BULLETIN in Chinese No 16, 30 Jun 86 p 519

[Circular of the CPC Central Committee General Office and State Council General Office on the Circulation of the "Report on Further Strengthening the Work of Workers' Commodity Price Supervision" (3 June 1986)]

(Zhongbanfa [0022 6586 4099] (1986) No 19)

[Text] The "Report on Further Strengthening the Work of Workers' Commodity Price Supervision" prepared by the All-China Federation of Trade Unions and the State Administration of Commodity Prices has been approved by the CPC Central Committee General Office and the State Council and is hereby circulated to you for study and implementation.

The work of commodity price supervision concerns the vital interests of the masses of the people, and price reform is an important component part of the economic structural reform. Workers' commodity price supervision is an effective means by which the masses of the people can directly participate in the management of state economic affairs. It constitutes a part of market economy supervision. Party committees and people's governments at all levels and departments concerned should attach importance to and support the work of workers' commodity price supervision and see to it that it can play a positive role in protecting the legitimate interests of the consumers and in ensuring the smooth progress of the economic structural reform.

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CSO: 4005/407

## REPORT ON STRENGTHENING WORKERS' COMMODITY PRICE SUPERVISION

Beijing STATE COUNCIL BULLETIN in Chinese No 16, 30 Jun 86 pp 519-521

[Report of the All-China Federation of Trade Unions and the State Administration of Commodity Prices on Further Strengthening the Work of Workers' Commodity Price Supervision (18 April 1986)]

[Text] In the last few years, the work of commodity price supervision by workers has been unfolded on an ever-widening scale as the reform of the urban economic structure gradually deepens. By February this year, some 260 cities in 22 provinces, autonomous regions and municipalities directly governed by the central authorities have organized over 4,000 workers' commodity price supervision centers (groups) with more than 28,000 supervisors. This contingent is under the joint leadership of the local trade unions and commodity price departments and is made up of workers, trade union cadres, and retired workers and staff members. They have actively unfolded the work of commodity price supervision, worked continuously in trying to enlarge the scope of their activities and finding new ways for the masses to take part in the management and supervision of the economic affairs of the state, and played a positive role in helping the government stabilize market prices, curbing the mal-practice of indiscriminately jerking up prices, and promoting the smooth progress of the price reform. In the main, commodity price supervision by workers involves the following: 1) To supervise and examine the implementation of policies on commodity prices by enterprises and institutions and by self-employed workers and traders, and to wage the struggle against acts of violating policies on commodity prices and cheating the masses. Over the years, more than 20 million people have taken part in activities of commodity price supervision in various places. Together, they have investigated and dealt with some 500,000 major and minor cases of the violation of law and discipline, and imposed fines totaling more than 6 million yuan. Some of the "vegetable despots," "fish despots," and "tobacco despots" who cornered the market for a long time and jerked up prices at will have been dealt a severe blow, much welcomed by the masses. 2) To investigate the situation of commodity prices in the market, reflect the views and demands of the masses of workers and staff members, make proposals, and help the party and government in promptly working out solutions to problems which cropped up in the price reform that the masses felt strongly about. 3) To widely publicize the policies on and the knowledge of commodity prices so that more consumers will know how to supervise commodity prices, and to help the workers and staff members of the operating units improve commodity price management and protect the interests of the consumers.

Seen from practice in different places, the launching of workers' commodity price supervision of a mass character enjoy the following special advantages: 1) The workers' commodity price supervisors, who are themselves working at the grassroots level and have come from the masses, have direct ties with the broad masses. They are thus able to quickly grasp the situation of commodity price changes that have a close bearing on the livelihood of the masses, promptly get to know the views and demands of the masses of workers and staff members, and attract and unite more people into joining in the supervision of commodity prices. Some localities have organized networks of commodity price supervision by the masses in the periphery of the workers' commodity price supervision centers, thus forming a strong social force of supervision. 2) The workers' commodity price supervisors are generally better trained politically and ideologically and have a higher level of policy understanding and education. Many of them are professionals in different fields. With a strong sense of responsibility as masters of the country, they strictly abide by law and discipline, honestly perform their official duties, consciously and willingly fulfill their obligations, and accomplish their tasks of commodity price supervision and inspection well, making nothing of hardships and remuneration. In the investigation and handling of some difficult cases (including serious and major cases), the workers' commodity price supervisors are competent right-hand men of the law enforcement departments. Workers' commodity price supervisors have participated in the investigation and handling of the illegal sale of rolled steel at a high price by the Benxi Iron and Steel Co, a serious case which has had a strong impact on the whole country. 3) It is possible to supervise and inspect the pricing of products in one's own unit (including production and operation units), thus strengthening the "self-supervision" of commodity price work in enterprises and institutions. In some enterprises, the workers' commodity price supervision centers have already institutionalized a system of supervising and inspecting the quality and pricing of their factory's products. With the workers' commodity price supervision organs and the workers and staff members of enterprises joining hands in keeping an eye on commodity price, the interests of the state and the consumers can be better protected.

The work of workers' commodity price supervision is an effective means by which the broad masses of workers and staff members can directly participate in the management of state economic affairs and protect their own interests while protecting the interests of the state. The contingent of workers' commodity price supervisors constitute an important auxiliary force of the commodity inspection departments. With the work of commodity supervision and inspection becoming increasingly heavier and the force of full-time inspectors still relatively weak (there are only 24,000 full-time inspectors in the whole country), it is essential that we greatly strengthen the work of workers' commodity price supervision. However, the further launching of this work is still beset with difficulties, chiefly: A few departments do not give their support and cooperation, or do not do so wholeheartedly, some even deny the workers' commodity price supervisors entry to the fairs and markets to supervise and inspect commodity prices, some are not fair and just in handling disputes between workers' commodity price supervisors and those inspected, and are even making things difficult for and striking blows at the commodity price

supervision organs and supervisors: in some places, the small amount of operating funds needed for the conducting of workers' commodity price supervision remains an unresolved issue for a long time; and in quite a few places, there are far too many obstacles that prevent the workers' commodity price supervision centers and supervisors from reflecting the situation and views expressed, and this is not conducive to the prompt solution of problems.

In order to further strengthen the work of workers' commodity price supervision, we suggest that:

1. Party committees and governments at all levels must attach importance to and strengthen the work of workers' commodity price supervision, teach the vast numbers of cadres to enhance their understanding of the importance of commodity price supervision by workers and staff members, and consciously make use of and bring into play the strong points of mass supervision, so that the work of workers' commodity price supervision can further develop. At present, places that have already launched this work should continue to take effective measures aimed at rectification, consolidation, and improvement; cities that have not yet done so should make haste to establish and strengthen, systematically and in a planned way, workers' commodity price supervision organs in accordance with the "Interim Procedures for Workers' Commodity Price Supervision" and "Circular on Further Strengthening the Work of Workers' Commodity Price Supervision" jointly promulgated by the All-China Federation of Trade Unions and the State Administration of Commodity Prices, actively launch the work and assist the government in properly keeping commodity price under control.
2. Departments of commodity price, industrial and commercial administration, metrology, public security and finance as well as trade union organizations at all levels must energetically support the work of workers' commodity price supervision and give their close cooperation. Trade unions at all levels must put this work in an important place on their agenda and strengthen education over the workers' commodity price supervisors so that they will conscientiously assume their responsibility, honestly perform their official duties, and more consciously fulfill their own obligations. Departments of commodity price, industrial and commercial administration, metrology, and so on must strengthen their professional guidance, and support and help the workers' commodity price supervisors in launching the work of supervising and inspecting market prices in accordance with their prescribed authority. The financial departments must try their best to secure the necessary funds for activities of workers' commodity price supervision. The public security departments must protect the personal safety of the workers' commodity price supervisors, and sternly deal with lawbreaking acts, such as making things difficult for workers' commodity price supervisors in their normal functioning and beating up and browbeating commodity price supervisors.
3. Workers' commodity price supervisors, as representatives of the broad masses of workers and staff members and urban consumers have the power and obligation to reflect the situation and opinions to party and government departments and trade unions at any level. The departments concerned must conscientiously study and handle the situation and opinions reflected by the workers' commodity price supervision organs.

Please circulate the above report if nothing inappropriate is found.

CIRCULAR ON BANNING ILLEGAL PROFITS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 16, 30 Jun 86 pp 522-523

[Circular of the State Council General Office on Banning Illegal Profits Obtained From Social Economic Activities (5 June 1986)]

(Guobanfa [0948 6586 4099] (1986) No 43)

[Text] In our social economic activities at present, malpractices of violating financial and economic discipline in seeking illegal profits, as seen in the unlawful acceptance of "monetary rewards" in the form of "kickbacks," "commissions," "red packets," "royalties," and "money for greasing the wheels," are rather rampant. People are making things easy for lawbreakers for the sake of securing illegal profits for their small cliques or for themselves; exploiting their office and job to feather their own nests by extortion and blackmail; cheating consumers by swindling and by peddling counterfeit and inferior goods, and so on. These acts not only jeopardize the socialist economic order and interfere with the reform of the economic structure, but corrode the minds of cadres and workers and corrupt social values, and must be strictly banned. For this reason, the following circular has been drawn up:

1. State functionaries must strictly enforce financial and economic discipline and are not allowed to unlawfully accept any form of "monetary reward" or "gift" in social economic activities.
2. No unit or individual shall "present as a gift" any money or material object to higher authorities and units concerned or to the staff working therein, or "sell" goods to these at prices below the level stipulated by the state or at nominal fees.
3. No unit or individual shall unlawfully transfer or resell economic contracts, obtain bank accounts, checks, official seals, and business licenses, or write out invoices and certificates on someone's behalf.
4. No unit or individual shall extort or accept money or material objects not on the bill by capitalizing on the sale of commodities or distribution of material resources.
5. No unit or individual shall obtain illegal profits by exaggerating the amount, jerking up or cutting prices, overcharging or lowering the quality of work in marketing and contracting activities.

6. Fees collected by enterprises and institutions in accordance with the provisions of the state in their operation must be entered in full into the revenue of these units and may not be distributed to individuals unless otherwise stipulated by the state.
7. Kickbacks received by any unit or individual in accordance with international practices in international trade and other activities must be entered in full into the revenue of the unit concerned in keeping with the financial and economic system and shall not belong to the individual. It is forbidden to ask foreign or overseas Chinese businessmen for foreign currency or goods in kind. Gifts from foreign and overseas Chinese businessmen shall be handled by the state in accordance with relevant stipulations.
8. Monetary rewards obtained in accordance with contract terms for paid operational and technical counseling services between enterprises and institutions must be entered in full into the revenue of the unit concerned in keeping with the financial and economic system, and the relevant stipulations of the state must not be violated when these are distributed and used.
9. Units that have violated the stipulations of this circular, in addition to having their illegal gains confiscated and being ordered to make retribution or pay compensation by the competent departments in conjunction with economic supervision departments, may be fined twice or three times the amount of the illegal spending of income by the economic supervision departments concerned according to the circumstances.

Individuals that have violated the stipulations of this circular (including the persons in charge of units that have violated the law and those directly responsible) shall be subject to administrative sanction by the competent departments; those who have violated criminal laws shall be handed to the judicial departments for investigation of criminal responsibility.

Financial, auditing, taxation, industrial and commercial, commodity price, banking, and other economic supervision departments at all levels must work in close coordination and strengthen supervision and management over the implementation of this circular. Public security and other departments must support and coordinate with the work of the economic supervision departments.

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CIRCULAR ON ECONOMIC DEVELOPMENT IN POOR AREAS

Beijing STATE COUNCIL BULLETIN in Chinese No 16, 30 Jun 86 p 523

[Circular of the State Council General Office on the Circulation of the Minutes of the First Plenum of the State Council Leading Group for Economic Development in Poor Areas (10 June 1986)]

(Guobanfa [0948 6586 4099] (1986) No 45)

[Text] The Minutes of the First Plenum of the State Council Leading Group for Economic Development in the poor areas have been approved by the State Council and are hereby circulated to you.

The issue of striving to resolve the problem of adequately providing for the people in the majority of the poor areas during the Seventh 5-Year Plan raised in the minutes is an important issue. We must concentrate our resources and make concerted efforts to do a good job of this. Please earnestly study and implement the suggestions put forward in the minutes on the economic development of poor areas.

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